

DC Business Connections



Analysis and Findings

*CEO Needs and Their Attitudes and Opinions
About Doing Business in the Nation's Capital*

By the

Washington, DC Marketing Center

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Data and comments used from the DC Business Connections program are from April, 2000 to April, 2002.

The Program

DC Business Connections is Mayor Anthony Williams' corporate outreach and business retention program operated by the Washington DC Marketing Center. Professionally trained outreach specialists visit with top management of DC businesses to thank them for contributing to the District's economy. During the visit, the outreach specialists gauge CEO attitudes and opinions about doing business in the District, as well as identify issues or questions which can be referred to any of the 27 DC Business Connections partners for response.

Chief Executive Officers representing **800 District-based firms** have taken part in *DC Business Connections* since April 2000. These firms are found primarily in the following key industry sectors: Business/Professional/Financial/Association Services; Media/Publications; Information Technology/Telecommunications. This participation rate makes *DC Business Connections* one of the most ambitious and successful city-based business retention programs in the nation.

"I feel the business atmosphere in the District is getting better in all respects. The government is reaching out, letting businesses know it wants to work with them and listen to what they have to say."

-A large financial firm

"I recently sent a letter to the Mayor expressing my satisfaction with the *DC Business Connections* program."

-A mid sized IT firm

"...be pro-active. DC Business Connections is a wonderful example. If this is repeated on a regular basis, you will learn much more (from businesses in the District)."

-A small IT firm

"Keep developing great programs like this one."

-A large association

"Reaching out like you have done today lets me know that things are looking up."

-A large staffing firm

Business Demographics

INTERVIEWED FIRMS (800)—BY BUSINESS CLUSTER

Business/Professional/ Financial/Association	69%
IT/Telecommunications	14%
Media/Publications	12%
Other	5%

To date, it is on these three industry sectors that DC Business Connections has focused its efforts.

WHY DC?—TOP RESPONSES

Proximity to federal and local government	40%
Proximity to customers	20%
Quality of life/CEO residence	12%
Prestigious address/image of Nation's Capital	11%

The Federal Government still has magnetic appeal to almost half of all interviewed District businesses.

INTERVIEWED FIRMS—BY AGE

Established within last 20 years	41%
Established within last 10 years	22%
Established within last 5 years	14%

INTERVIEWED FIRMS—BY LENGTH OF RESIDENCE IN DC

20 years and less	53%
10 years and less	32%
5 years and less	21%

The majority – 41% -- of interviewed firms are 20 years old and younger, and the majority of businesses visited have been operating in DC for less than 20 years – a relatively short time.

FIRMS HEADQUARTERED IN DC

Headquartered in DC	73%
Headquartered outside DC	27%

The majority of interviewed firms are headquartered in the District.

Business Climate/Business Vitality

DC BUSINESS CLIMATE

CEOs that say they are somewhat-to-very positive about doing business in the District today—

<i>Findings prior to September 11, 2001</i>	82%
<i>Findings from September 12, 2001 to Present</i>	83%

There is a strong resiliency in the District's business climate rating among CEOs. CEO optimism before and after September 11th continues to be extremely positive – which is even more remarkable at a time when the national economy is emerging from a recession.

CEOs that say that the District's business climate is *somewhat-to-much better* than five years ago—

<i>Findings prior to September 11, 2001</i>	82%
<i>Findings from September 12, 2001 to Present</i>	74%

Longer term confidence in the District's business climate remains high—even in the midst of a national economic downturn and events of September 11th. Comments associated with this question revealed some diminished sales related to the national economy while many CEOs continue to show CEO optimism with the Mayor, his administration and agenda.

“For the small business person, Mayor Williams talks about things that are relevant.”

-A small DC-based IT firm

“The business atmosphere here seems much more improved, people are very positive about the current administration.”

-A mid-sized media publications firm

“The Mayor has done a terrific job of improving the ability of businesses that do business in DC. The city was in a malaise and he got a very tough ship to turn around that totally changed the attitude both internally and externally. He deserves enormous credit for that. The climate of doing business here is vastly improved.”

-A large legal services firm

“The economic boom which lasted 10 yrs. is over. NoVa tech corridor lost its pulse and it hurts our business/client base since we focused primarily on tech clients.”

-A mid-size architectural firm

DIVERSIFICATION OF CUSTOMERS

Based on 495 respondents (some firms chose not to respond or saw no relevancy)

Firms deriving 20% or less of sales from top three customers	53%
Firms deriving more than 50% of sales from top three customers	23%

Overall, District firms have a high degree of customer diversification. This bodes well for economic performance and stability.

RELIANCE ON GOVERNMENT

Interviewed firms doing work for the government	43%
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The majority of interviewed firms do not conduct business with either the Federal or District Government, despite a commonly held perception to the contrary. This reinforces the growing diversification of the District's economy.

INTERNATIONAL TRADE

Interviewed firms generating revenues from customers in other countries —

<i>Findings prior to September 11, 2001</i>	50%
<i>Findings from September 12, 2001 to Present</i>	26%

Half of all interviewed firms engaged in exporting services or product prior to September 11th. Since then, exporting percentages have dropped significantly.

DC FIRMS AND TECHNOLOGY

Interviewed firms with a web page	83%
Interviewed CEOs/decision-makers supplying an e-mail account	91%

DC-based firms are overwhelmingly using web sites and e-mail.

Workforce

WORKFORCE

Firms with 50 or fewer employees	64%
Firms with 150 or more employees	16%

Many District-based firms have modest sale/budgets and employment. These firms should be considered small businesses. DC Business Connections can help channel targeted support from partner organizations to smaller firms that have limited resources and changing needs.

WORKFORCE SKILLS

Interviewed firms having trouble finding needed employees—

Findings prior to September 11, 2001	62%
Findings from September 12, 2001 to Present	38%

Companies are having less trouble finding skilled employees since September 11th and during the current national economic downturn.

JOB OPENINGS

Interviewed firms with unfilled job openings—

Findings prior to September 11, 2001	61%
Findings from September 12, 2001 to Present	42%

Since September 11th, job openings among interviewed companies have declined by approximately 20%. Even with this loss, a significant percent of District businesses have immediate job openings today. (Note—businesses in the retail and tourism sectors are not part of DC Business Connections targeted industry clusters.)

"Now, the number of qualified applicants is far greater than a year ago. The economy has slowed down. Last year nearly everyone had a job, and we were looking for people who didn't have a lot of experience. That's changed. People are looking for stability, pay checks, benefits."

-A mid-sized media publications firm

Sales

SALES/BUDGET

Sales/budgets of \$10 million or less	69%
Sales/budgets of \$50 million or more	11%

PREDICTED SALES/BUDGET GROWTH NEXT YEAR

Firms predicting **negative** sales/budget growth

<i>Findings prior to September 11, 2001</i>	1%
<i>Findings from September 12, 2001 to Present</i>	2%

Firms predicting **0%** sales/budget growth

<i>Findings prior to September 11, 2001</i>	12%
<i>Findings from September 12, 2001 to Present</i>	16%

Firms predicting sales/budget growth **of 6%-100%**

<i>Findings prior to September 11, 2001</i>	85%
<i>Findings from September 12, 2001 to Present</i>	76%

Firms predicting sales/budget growth **of over 100%**

<i>Findings prior to September 11, 2001</i>	2%
<i>Findings from September 12, 2001 to Present</i>	6%

Sales/budget projections corroborate attitudinal perceptions about the resiliency of the District's economy. Trends are either positive or holding steady—all underscoring an unwavering optimism among local CEOs.

CEO Attitudes and Opinions

CEOS RATE PUBLIC SERVICES

Airport facilities rated as good-to-excellent

Findings prior to September 11, 2001

92%

Findings from September 12, 2001 to Present

93%

Public transportation rated as good-to-excellent

Findings prior to September 11, 2001

82%

Findings from September 12, 2001 to Present

88%

Telecommunications rated as good-to-excellent

Findings prior to September 11, 2001

66%

Findings from September 12, 2001 to Present

71%

Police protection rated as good-to-excellent

Findings prior to September 11, 2001

63%

Findings from September 12, 2001 to Present

76%

Fire protection rated as good-to-excellent

Findings prior to September 11, 2001

63%

Findings from September 12, 2001 to Present

74%

Energy/Utilities rated as good-to-excellent

Findings prior to September 11, 2001

62%

Findings from September 12, 2001 to Present

64%

Road Systems as good-to-excellent

Findings prior to September 11, 2001

9%

Findings from September 12, 2001 to Present

31%

Road Systems as fair-to-poor

Findings prior to September 11, 2001

87%

Findings from September 12, 2001 to Present

67%

Public schools rates as fair-to-poor

Findings prior to September 11, 2001

54%

Findings from September 12, 2001 to Present

51%

Like other rankings throughout this report, CEOs are giving the District increasingly positive marks for public services. Since September 11th, CEOs are less critical of DC roads and public schools.

Summary

In summary, Washington, DC is home to a vibrant business community made up in large part of young, growing companies. Over a third of the companies are here because of the proximity to federal government, but an increasing number – including many tech firms – are in DC because of the quality of life that the region and the city have to offer. Many firms dealing with Capitol Hill say that they are in DC because of the image of the address, which is recognizable and prestigious to what is often a far-flung constituency.

The responses and comments by CEOs show that the events of September 11, 2001 gave business some pause, but their hiring practices and predictions for next year's growth dropped only slightly. Based on many CEO comments, this appears to be linked to the softening national economy. Given the economic difficulties that other communities have experienced in the last year, Washington has shown remarkable resiliency and economic strength. Mention of the events of September 11 are few and typically suggest some slowing of business, based on a hesitancy to move on projects by their clients.

There was an interestingly measurable improvement in CEOs attitudes and opinions about various public services after September 11. Many more executives had good things to say about the police and fire protection they receive, and there was a higher rating for telecommunications and public transportation, as well. CEOs have typically rated District roads fairly poorly, and those CEOs visited in the last six months who rated roads as "good-to-excellent" increased by 20% over the set of CEOs visited prior to September, 2001. In the coming months, it will be interesting to see what part of this trend reflects actual improvement of public services as perceived by business leaders, and what part might reflect a "rallying" that business leaders feel toward local government in the post-September 11th period.

Many comments of CEOs in the last six months continue to attribute the improvement of city operations, customer service and image to the hard work and leadership of Mayor Williams. These CEO perceptions, as well as the positive business climate ratings, are findings that have held steady before and after September, 2001.

"The commitment to excellence and achievement has improved 1000 fold. The current Mayor has the idea that fiscal responsibility is #1.

-A small architecture firm

"We feel that Mayor Williams is doing a wonderful job. The investment made to improve the District has restored confidence in the quality of the government."

-A mid-sized law firm

"It is better because Mayor Williams has brought a healthy environment and a healthy dose of enthusiasm to D.C. residents and businesses. This city is on the mend."

-A mid-sized association